

FIRST OPPORTUNITY FUND INC

Form N-CSR

June 07, 2013

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act File Number:

811-04605

First Opportunity Fund, Inc.

(Exact Name of Registrant as Specified in Charter)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Address of Principal Executive Offices)(Zip Code)

Fund Administrative Services, LLC

2344 Spruce Street, Suite A

Boulder, CO 80302

(Name and Address of Agent for Service)

Registrant's Telephone Number, including Area Code:

(303) 444-5483

Date of Fiscal Year End: March 31

Date of Reporting Period: March 31, 2013

**Table of Contents**

**Item 1. Reports to Stockholders.**

The Report to Stockholders is attached herewith.

**Table of Contents**

Table of Contents

**TABLE OF CONTENTS**

<u>Letter from the Advisers</u>	1
<u>Financial Data</u>	6
<u>Consolidated Portfolio of Investments</u>	7
<u>Consolidated Statement of Assets and Liabilities</u>	13
<u>Consolidated Statement of Operations</u>	14
<u>Consolidated Statements of Changes in Net Assets</u>	15
<u>Consolidated Statement of Cash Flows</u>	16
<u>Consolidated Financial Highlights</u>	18
<u>Notes to Consolidated Financial Statements</u>	20
<u>Report of Independent Registered Public Accounting Firm</u>	34
<u>Additional Information</u>	35
<u>Summary of Dividend Reinvestment Plan</u>	37
<u>Board of Directors Approval of the Investment Advisory Agreements</u>	38
<u>Directors and Officers</u>	42

Annual Report | March 31, 2013

**Table of Contents**

First Opportunity Fund, Inc.

Letter from the Advisers

March 31, 2013 (Unaudited)

Dear Stockholders:

Before delving into a discussion about the strong absolute performance of the First Opportunity Fund, Inc. (the Fund) over the one-year period ending March 31, 2013, I would like to take a few moments to reflect back on what has been a year of transition. The US trudged through a hotly contested presidential election cycle, Europe continued to manage through its sovereign debt issues, and economic indicators slowly turned positive. At the Fund level, the management of the Legacy Portfolio was transitioned from Wellington Management Company, LLP to the existing Advisers of Rocky Mountain Advisers, LLC and Stewart Investment Advisers, LLC. It was even a year of transition for me as I made the move to Colorado in February of last year and began my role as a Portfolio Manager with Rocky Mountain Advisers, LLC. While this transition has kept me quite busy, it has been a smooth one thanks in large part to the high quality individuals I am fortunate to work alongside every day. After over a year on the job, I am proud of what we have accomplished in the past year and am excited about the actions we are currently taking to better serve the Fund's stockholders in the future. I will discuss some of these actions in greater detail later in this letter, but for now let us proceed with the discussion of the Fund's performance.

Over the one-year period ending March 31, 2013, the Fund generated a solid absolute return of 13.7% on net assets. Over the same period, the S&P 500 generated a 14.0% return, the Dow Jones Industrial Average (DJIA) generated a 13.4% return and the NASDAQ Composite generated a 7.4% return. The Fund's strong absolute performance was driven by a combination of favorable market conditions and solid execution upon our investment philosophy of buying good businesses at attractive valuations. Our commitment to this philosophy allowed us to identify and take advantage of multiple attractive investment opportunities over the past year, many of which proved to be key contributors to the Fund's overall performance.

	3 mos.	6 mos.	One Year	Three Years*	Five Years*	Ten Years*	Since June 2010**
FOFI (NAV)	6.2%	7.6%	13.7%	8.9%	1.5%	6.2%	9.9%
FOFI (Market)	5.6%	6.1%	15.2%	4.9%	-1.6%	3.2%	9.7%
S&P 500 Index	10.6%	10.2%	14.0%	12.7%	5.8%	8.5%	16.2%
DJIA	11.9%	10.0%	13.4%	13.3%	6.5%	8.9%	16.7%
NASDAQ Composite	8.5%	5.8%	7.4%	12.3%	8.7%	10.3%	15.4%

\* Annualized

\*\* Annualized since June 1, 2010, when the current Advisers became investment advisers to the Fund.

*The performance data quoted represents past performance. Past performance is no guarantee of future results. Fund returns include reinvested dividends and distributions, but do not reflect the reduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares and do not reflect brokerage commissions, if any. Returns of the S&P 500 Index, the DJIA and the NASDAQ Composite include reinvested dividends and distributions. You cannot invest directly in any of these indices. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.*

---

**Table of Contents**

Letter from the Advisers

First Opportunity Fund, Inc.

*March 31, 2013 (Unaudited)*

One of these key contributors to the Fund's performance on an absolute and relative basis for the one-year period was the Fund's position in JPMorgan Chase & Company (JPMorgan). In May of 2012, JPMorgan's share price fell sharply as the company disclosed large trading losses as part of the then-developing London Whale story. Upon researching the situation, we felt this was an obvious negative for the company, but one the company would be able to manage without materially damaging its business value over the long-run. More importantly, we believed the share price at the time represented an attractive discount to our estimate of the company's underlying intrinsic value. As a result, we took the opportunity to build a sizable position in JPMorgan, which generated a 37.7% return over the period and grew to account for roughly 4.7% of the Fund's total assets as of the period end. Despite the strong share price performance over the last several months, we believe the market continues to underappreciate the company and its stock and we remain comfortable with the Fund's current position.

Another key contributor to performance on an absolute and relative basis was the Fund's combined position in the common shares and American Depositary Receipts (ADRs) of Sanofi, which collectively accounted for roughly 3.8% of the Fund's total assets at period end. For the period, Sanofi's common shares and ADRs generated total returns of 32.8% and 35.7% respectively. The Fund's position in Sanofi increased early in the period as we opportunistically added to it on a material pullback in the share's price. While Sanofi has been a solid performer for the Fund over the last several months, we continue to view the name favorably and are comfortable with the Fund's current position for a variety of reasons including the company's strong free cash flow generation, operational improvements and potential growth from a solid product portfolio and pipeline.

Cisco Systems, Inc. (Cisco) was another key contributor to performance on an absolute and relative basis. The Fund's position in Cisco was initiated during the period and has quickly become one of the Fund's larger positions accounting for approximately 4.4% of total assets at period end. This large position size has been partially attributable to market appreciation as the position generated a 25.2% return during the period. While the Fund's position in Cisco has performed well, we expect it to be a solid contributor to performance over the long-run as we believe its stock continues to trade at an attractive discount to our estimate of intrinsic value.

Other contributors to absolute performance for the period were the Fund's position in Wolf Creek Investors (Bermuda), L.P. (Wolf Creek) and Bay Pond, L.P. (Bay Pond). For the period, Wolf Creek generated a 13.4% return and Bay Pond generated an 8.9% return. Their large contribution to performance was partially driven by their large position sizes as each accounted for roughly 16.7% of total assets. While both positions generated solid absolute returns during the period, their returns trailed those of the S&P 500 resulting in a drag on relative performance. While Wolf Creek and Bay Pond each account for a large percentage of total holdings, we remain comfortable with both positions at this time.

On the other end of the spectrum, a key detractor to the Fund's performance on an absolute and relative basis was its position in Freeport-McMoRan Copper & Gold, Inc. (Freeport-McMoRan). For the period, the Fund's position in Freeport-McMoRan generated a negative 8.5% return and accounted for roughly 4.6% of total assets at period end. The poor performance during the period was driven by two primary factors. The first of these was a decline in copper prices in the later part of the period amid growing concerns of a potential near-term supply glut. The second factor was the market's negative reception of the company's plans to acquire two oil and gas companies: McMoRan Exploration Company (McMoRan) and Plains Exploration & Production Company (Plains).

---

**Table of Contents**

First Opportunity Fund, Inc.

Letter from the Advisers

*March 31, 2013 (Unaudited)*

In the case of the planned acquisitions, we believe the market simply underappreciates the large potential upside provided by the resource reserves being acquired by Freeport-McMoRan. In regards to a potential near-term supply glut for copper, we tend to agree with the market. The data does suggest new supply growth will outpace demand growth in the near future potentially pushing the copper market into a period of oversupply. However, where the market sees risk, we see opportunity. The divergence in viewpoints is primarily due to a difference in investment holding periods. Due to the rise of high frequency trading among other factors, a large portion of today's market participants attempt to generate returns by speculating on the short-term movements in a stock. We focus on investing in good businesses for the long-run. By doing this, we strive to look through short-term issues to understand a business's underlying fundamentals and long-term prospects. In Freeport-McMoRan, we see a high quality asset base operated by one of the copper industry's leading and lowest cost operators that has the ability to generate solid free cash flow even at lower copper prices. We anticipate that this free cash flow will go to support an attractive dividend and to quickly de-leverage the company's balance sheet. While supply and demand fundamentals will be weak in the near-term, we believe they will improve over the longer-run as demand gradually recovers and new supply growth remains limited past near-term capacity additions. In the end, we believe the share price for Freeport-McMoRan materially discounts the company's long-term prospects and have continued to add to the position.

Another key detractor to performance on an absolute and relative basis was the Fund's position in the ADRs of POSCO. POSCO accounted for roughly 1.7% of the total portfolio at period end and generated a negative 5.0% return for the period. POSCO is a South Korean steel producer and is considered among the lowest cost operators in the world. As we believe the company's stock remains attractively valued, we added to the position during the period. Unfortunately, these purchases occurred right before tensions between North Korea, South Korea and the United States began to intensify. As the rhetoric and antagonistic actions out of North Korea increased, South Korean financial markets and POSCO's share price were pulled lower contributing to the position's poor performance during the period.

Midland Holdings Limited (Midland) was another key detractor to performance on an absolute and relative basis as well. The Fund's position in Midland accounted for approximately 0.4% of total assets at period end and generated a negative 8.0% return during the period. Midland is one of the two dominant real estate agency firms in Hong Kong with additional operations in Mainland China and Macau. Over the past year government authorities have introduced new policies aimed at cooling Hong Kong's property markets, which have reduced property transaction volumes and pressured transaction values. As these are two key drivers of revenue and earnings for Midland, the company's operations and stock were negatively impacted during the period. We continue to remain comfortable with the Fund's position in Midland as the company is one of only two dominant players in Hong Kong, generates solid free cash flow and remains in our view attractively valued, especially after accounting for the company's large cash position.

Additional positions that detracted from performance were the Fund's positions in Pengrowth Energy Corporation and J. Caird Partners, L.P. (J. Caird), which generated returns of a negative 38.6% and a negative 10.2% for the period respectively. It is important to note that both of these positions were sold out of the Fund during the period. While there were many different reasons for selling out of these positions, the common thread between them was our belief that more attractive investment opportunities were available elsewhere in the market.

In the end, the net result for the Fund was a strong absolute performance for the one-year period ending March 31, 2013. While satisfied with the result, we firmly believe there is always room for improvement. As I mentioned earlier, we are in the process of implementing a variety of actions

**Table of Contents**

Letter from the Advisers

First Opportunity Fund, Inc.

March 31, 2013 (Unaudited)

that we expect will allow us to better serve the Fund's stockholders and hopefully reduce the Fund's share price discount to net asset value per share. While many of these initiatives are still being analyzed and developed, it is too early for us to discuss them in detail at this time. However, we are progressing quickly on the initiatives announced in the last stockholder letter. The chief among these will be the launch of our new website in the next couple of months. After listening to stockholder feedback, we recognized the need to address the market's perception of the Fund and the Advisers. It is our hope that the new website presentation will attend to this issue by providing current and potential stockholders an enhanced understanding of the Fund, the Advisers, and our investment philosophy. In addition, we remain focused on improving the quality of our stockholder communications. This includes the stockholder letter, which I hope has provided an increasing amount of insight into the Fund and how it is being managed. As part of this effort, I encourage stockholders to let us know if there are any topics you would like us to address in future letters.

As stated earlier, I am excited about the actions we are currently taking to better serve the Fund's stockholders and look forward to their eventual rollout. In the meantime, I hope you have a safe and happy summer.

Sincerely,

Brendon Fischer, CFA

Portfolio Manager

May 6, 2013

*The views and opinions in the preceding commentary are as of the date of this letter and are subject to change at any time. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.*

*Portfolio weightings and other figures in the foregoing commentary are provided as of period-end, unless otherwise stated.*

**Note to Stockholders on Investments in Hedge Funds:** The Fund's investment advisers feel it is important that stockholders be aware that the Fund has highly concentrated positions in certain hedge funds and may take concentrated positions in other securities. Concentrating investments in a fewer number of securities (including investments in hedge funds) may involve a degree of risk that is greater than a fund that has less concentrated investments spread out over a greater number of securities. For example, the value of the Fund's net assets will fluctuate significantly based on the fluctuation in the value of the hedge funds in which it invests. In addition, investments in hedge funds can be highly volatile and may subject investors to heightened risk and higher operating expenses than another closed-end fund with a different investment focus.



**Table of Contents**

First Opportunity Fund, Inc.

Letter from the Advisers

*March 31, 2013 (Unaudited)*

**Note to Stockholders on the Fund's Discount.** As most stockholders are aware, the Fund's shares presently trade at a significant discount to net asset value. The Fund's board of directors is aware of this, monitors the discount and periodically reviews the options available to mitigate the discount. In addition, there are several factors affecting the Fund's discount over which the board and management have little control. In the end, the market sets the Fund's share price. For long-term stockholders of a closed-end fund, we believe the Fund's discount should only be one of many factors taken into consideration at the time of your investment decision.

**Note to Stockholders on the Fund's Use of Leverage.** The Fund has the ability to leverage through a credit facility. The Fund may utilize leverage to seek to enhance the returns for its stockholders over the long term; however, this objective may not be achieved in all interest rate and investment environments. Leverage creates certain risks for stockholders, including the likelihood of greater volatility of the Fund's NAV and market price. In the event the Fund utilizes leverage there are other risks associated with borrowing through a line of credit, including, but not limited to risks associated with purchasing securities on margin. In addition, borrowing would increase costs to the Fund, subject the Fund to contractual restrictions on its operations and require the Fund to maintain certain asset coverage ratios on any outstanding indebtedness.

**Table of Contents**

Financial Data

First Opportunity Fund, Inc.

March 31, 2013

	Net Asset	Per Share of Common Stock Market	Dividend
	Value	Price	Paid
3/31/12	\$ 9.30	\$ 7.05	\$ 0.00
4/30/12	9.24	7.35	0.00
5/31/12	8.92	7.00	0.00
6/30/12	9.15	7.08	0.00
7/31/12	9.22	7.07	0.00
8/31/12	9.47	7.14	0.00
9/30/12	9.82	7.65	0.00
10/31/12	9.82	7.67	0.00
11/30/12	9.80	7.72	0.00
12/31/12	9.95	7.69	0.00
1/31/13	10.39	8.00	0.00
2/28/13	10.36	7.97	0.00
3/31/13	10.57	8.12	0.00

**Investments as a % of Net Assets**

**Table of Contents**

First Opportunity Fund, Inc.

Consolidated Portfolio of Investments

March 31, 2013

Shares	Description	Value (Note 2)
<b>LONG TERM INVESTMENTS (96.4%)</b>		
<b>DOMESTIC COMMON STOCKS (53.9%)</b>		
<b>Banks &amp; Thrifts (11.2%)</b>		
29,289	Bank of Commerce Holdings	\$147,324
35,498	Carolina Trust Bank*	108,979
43,644	Central Valley Community Bancorp	369,665
12,300	Citizens & Northern Corp.	239,850
60,000	Community Bank <sup>*(a)(b)(c)</sup>	5,806,200
55,000	Coronado First Bank*	514,250
65,566	Eastern Virginia Bankshares, Inc.*	371,103
4,300	First Advantage Bancorp	54,825
39,700	First American International <sup>*(a)(b)(c)</sup>	795,588
116,276	First Capital Bancorp, Inc.*	374,409
66,726	First Southern Bancorp, Inc. - Class B	397,020
193,261	Florida Capital Group <sup>*(a)(b)(c)</sup>	5,218
126,100	Metro Bancorp, Inc.*	2,085,694
905,600	National Bancshares, Inc. <sup>*(a)(b)(c)</sup>	321,397
4,000	North Dallas Bank & Trust Co.	184,000
30,400	Oak Ridge Financial Services, Inc.*	127,072
1,900	Old Point Financial Corp.	24,510
44,300	OmniAmerican Bancorp, Inc.*	1,119,904
153,990	Pilot Bancshares, Inc.*	140,131
190,540	Republic First Bancorp, Inc.*	527,796
92,195	Southern First Bancshares, Inc.*	963,438
79,900	Southern National Bancorp of Virginia, Inc.	773,432
302,900	Square 1 Financial, Inc. <sup>*(a)(b)(c)</sup>	2,083,952
62,746	Square 1 Financial, Inc. - Class A <sup>*(a)(b)(c)</sup>	431,692
41,122	Valley Commerce Bancorp	456,454
419,789	Wells Fargo & Co.	15,527,995
12,404	Xenith Bankshares, Inc.*	64,004
		34,015,902
<b>Construction Machinery (0.5%)</b>		
17,200	Caterpillar, Inc.	1,495,884
<b>Diversified Financial Services (6.1%)</b>		
60,000	Independence Financial Group, Inc. <sup>*(a)(b)(c)</sup>	545,400
303,800	JPMorgan Chase & Co.	14,418,348
125,890	Mackinac Financial Corp.	1,159,447
455,100	Ocwen Structured Investments, LLC <sup>*(a)(b)(c)</sup>	285,712
25,000	South Street Securities Holdings, Inc. <sup>*(a)(c)(d)</sup>	929,750
47,960	Tiptree Financial <sup>*(a)(c)(d)</sup>	1,160,632
		18,499,289
<b>Environmental Control (0.3%)</b>		

Annual Report | March 31, 2013

7

**Table of Contents**

Consolidated Portfolio of Investments

First Opportunity Fund, Inc.

March 31, 2013

Shares	Description	Value (Note 2)
<b>Healthcare Products &amp; Services (2.5%)</b>		
91,800	Johnson & Johnson	\$7,484,454
<b>Insurance (2.2%)</b>		
19,678	Forethought Financial Group, Inc. - Class A*(a)(b)(c)	6,676,155
<b>Mining (4.6%)</b>		
425,300	Freeport-McMoRan Copper & Gold, Inc.	14,077,430
<b>Mortgages &amp; REITS (0.0%)<sup>(f)</sup></b>		
155,504	Newcastle Investment Holdings Corp., REIT*(c)	72,356
87,900	Verde Realty, Escrow Shares*(a)(b)(c)	26,018
		98,374
<b>Oil &amp; Gas (4.2%)</b>		
97,300	Chevron Corp.	11,561,186
30,000	Linn Energy LLC	1,137,000
		12,698,186
<b>Pharmaceuticals (0.3%)</b>		
20,447	Merck & Co., Inc.	904,371
<b>Pipelines (0.7%)</b>		
33,250	Enterprise Products Partners LP	2,004,642
<b>Registered Investment Companies (RICs) (0.4%)</b>		
40,000	Cohen & Steers Infrastructure Fund, Inc.	827,600
18,727	RMR Real Estate Income Fund	389,522
		1,217,122
<b>Retail (4.1%)</b>		
253,700	Kohl's Corp.	11,703,181
10,000	Wal-Mart Stores, Inc.	748,300
		12,451,481
<b>Savings &amp; Loans (7.2%)</b>		
10,000	Auburn Bancorp, Inc.*	30,600
40,846	CFS Bancorp, Inc.	323,092
33,500	Eagle Bancorp	364,145
31,254	Georgetown Bancorp, Inc.	429,742
84,989	Hampden Bancorp, Inc.	1,309,680

## Edgar Filing: FIRST OPPORTUNITY FUND INC - Form N-CSR

22,030	HF Financial Corp.	302,031
47,216	Home Bancorp, Inc.*	878,690
88,948	Home Federal Bancorp, Inc.	1,138,534
42,000	Liberty Bancorp, Inc.	441,000
16,122	Malvern Bancorp, Inc.*	190,723
310,300	MidCountry Financial Corp.* <sup>(a)(b)(c)</sup>	3,171,266
11,314	Newport Bancorp, Inc.*	196,864

**Table of Contents**

First Opportunity Fund, Inc.

Consolidated Portfolio of Investments

March 31, 2013

Shares	Description	Value (Note 2)
<b>Savings &amp; Loans (continued)</b>		
106,998	Ocean Shore Holding Co.	\$1,604,970
29,100	Old Line Bancshares, Inc.	361,422
168,810	Pacific Premier Bancorp, Inc.*	2,219,852
165,930	Perpetual Federal Savings Bank <sup>(e)</sup>	2,737,845
40,650	Redwood Financial, Inc. <sup>(e)</sup>	660,563
89,993	River Valley Bancorp <sup>(e)</sup>	1,800,760
6,300	Royal Financial, Inc.*	27,090
273,079	SI Financial Group, Inc.	3,301,525
110,500	Third Century Bancorp <sup>*(e)</sup>	442,000
		21,932,394
<b>Software &amp; Services (4.0%)</b>		
57,000	International Business Machines Corp.	12,158,100
<b>Technology, Hardware &amp; Equipment (4.8%)</b>		
638,825	Cisco Systems, Inc.	13,357,831
23,000	Harris Corp.	1,065,820
		14,423,651
<b>Tobacco Products (0.8%)</b>		
42,000	Altria Group, Inc.	1,444,380
11,000	Philip Morris International, Inc.	1,019,810
		2,464,190
<b>TOTAL DOMESTIC COMMON STOCKS</b>		
	(Cost \$152,176,799)	163,591,625
<b>FOREIGN COMMON STOCKS (8.4%)</b>		
<b>Banks &amp; Thrifts (0.2%)</b>		
5,490	Gronlandsbanken AB	592,758
<b>Food (0.4%)</b>		
18,000	Nestle SA	1,301,696
<b>Insurance (0.4%)</b>		
6,700	Muenchener Rueckversicherungs AG	1,253,051
<b>Iron/Steel (1.8%)</b>		

Edgar Filing: FIRST OPPORTUNITY FUND INC - Form N-CSR

72,000	POSCO, ADR	5,307,120
--------	------------	-----------

***National Stock Exchange (0.5%)***

17,776	NSE India, Ltd.* <sup>(a)</sup> (b)(c)	1,615,421
--------	--	-----------



**Table of Contents**

Consolidated Portfolio of Investments

First Opportunity Fund, Inc.

March 31, 2013

Shares	Description	Value (Note 2)
<b>Oil &amp; Gas (0.4%)</b>		
18,000	Total SA, Sponsored ADR	\$863,640
8,000	Transocean, Ltd.*	415,680
		1,279,320
<b>Pharmaceuticals (3.8%)</b>		
24,000	Sanofi	2,438,702
180,300	Sanofi, ADR	9,209,724
		11,648,426
<b>Real Estate (0.9%)</b>		
98,000	Cheung Kong Holdings, Ltd.	1,446,793
2,490,000	Midland Holdings, Ltd.	1,100,244
		2,547,037
<b>TOTAL FOREIGN COMMON STOCKS</b>		
	(Cost \$22,735,279)	25,544,829
<b>DOMESTIC LIMITED PARTNERSHIPS (16.7%)</b>		
	Bay Pond Partners, LP <sup>*(a)(b)(c)</sup>	50,791,303
<b>TOTAL DOMESTIC LIMITED PARTNERSHIPS</b>		
	(Cost \$39,387,185)	50,791,303
<b>FOREIGN LIMITED PARTNERSHIPS (16.7%)</b>		
	Wolf Creek Investors (Bermuda), LP, a Wellington Management Investors (Bermuda), Ltd. share class <sup>*(a)(b)(c)</sup>	50,792,985
<b>TOTAL FOREIGN LIMITED PARTNERSHIPS</b>		
	(Cost \$40,043,650)	50,792,985
<b>DOMESTIC PREFERRED STOCKS (0.6%)</b>		
1,600	Maiden Holdings, Ltd., Series C, 14.00% <sup>*(a)(c)(d)</sup>	1,777,824
<b>TOTAL DOMESTIC PREFERRED STOCKS</b>		
	(Cost \$1,600,000)	1,777,824

**DOMESTIC WARRANTS (0.1%)**

116,276 First Capital Bancorp, Inc., Warrant, strike price \$ 1.00, Expires 2/8/2022<sup>(c)</sup>

104,125

**Table of Contents**

First Opportunity Fund, Inc.

Consolidated Portfolio of Investments

March 31, 2013

Shares	Description	Value (Note 2)
<b>DOMESTIC WARRANTS (continued)</b>		
26,230	Flagstar Bancorp, Warrant, strike price \$ 10.00, Expires 1/30/2019 <sup>(c)</sup>	\$185,475
		289,600
TOTAL DOMESTIC WARRANTS		
(Cost \$ 0)		289,600
TOTAL LONG TERM INVESTMENTS		
(Cost \$ 255,942,913)		292,788,166
<b>SHORT TERM INVESTMENTS (3.7%)</b>		
<b>Money Market Funds (3.7%)</b>		
4,299,717	Dreyfus Treasury & Agency Cash Management Money Market Fund, Institutional Class (7 day Yield 0.011%)	4,299,717
6,900,000	JPMorgan Prime Money Market Fund (7 day Yield 0.081%)	6,900,000
TOTAL SHORT TERM INVESTMENTS		
(Cost \$ 11,199,717)		11,199,717
<b>TOTAL INVESTMENTS (100.1%)</b>		
(Cost \$ 267,142,630)		303,987,883
<b>TOTAL LIABILITIES LESS OTHER ASSETS (-0.1%)</b>		
		(222,066)
<b>TOTAL NET ASSETS (100.0%)</b>		
		\$303,765,817

\* Non-income producing security.

(a) Indicates a security which is considered restricted. Also see Notes to Consolidated Financial Statements.

(b) Private Placement: these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of March 31, 2013, these securities had a total value of \$123,348,307 or 40.61% of total net assets.

(c) Fair valued security under procedures established by the Fund's Board of Directors. Total value of fair valued securities as of March 31, 2013 was \$127,578,469 or 42.00% of total net assets.

(d) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of March 31, 2013 these securities had a total value of \$3,868,206 or 1.27% of total net assets.

(e) Affiliated Company. See Notes to Consolidated Financial Statements.

(f) Less than 0.05% of total net assets.

**Common Abbreviations:**

## Edgar Filing: FIRST OPPORTUNITY FUND INC - Form N-CSR

*AB - Aktiebolag is the Swedish equivalent of the term corporation*

*ADR - American Depositary Receipt*

Annual Report | March 31, 2013

11

**Table of Contents**

Consolidated Portfolio of Investments

First Opportunity Fund, Inc.

March 31, 2013

*AG - Aktiengesellschaft is a German term that refers to a corporation that is limited by shares, i.e., owned by shareholders*

*LLC - Limited Liability Company*

*LP - Limited Partnership*

*Ltd. - Limited*

*REIT - Real Estate Investment Trust*

*SA - Generally designates corporations in various countries, mostly those employing the civil law. This translates literally in all languages mentioned as anonymous company.*

**Regional Breakdown as a % of Total Net Assets**

United States	75.0
Bermuda	16.7
France	4.1
South Korea	1.8
Hong Kong	0.8
Switzerland	0.6
India	0.5
Germany	0.4
Denmark	0.2
Other Assets and Liabilities	(0.1)

*See Accompanying Notes to Consolidated Financial Statements.*

**Table of Contents**

Consolidated Statement  
of Assets and Liabilities

First Opportunity Fund, Inc.

March 31, 2013

**ASSETS**

Investments:		
Investments, at value of Unaffiliated Securities (Cost \$264,393,663) (Note 2)	\$	298,346,715
Investments, at value of Affiliated Securities (Cost \$2,748,967) (Notes 2 and 9)		5,641,168
<b>Total Investments, at value</b>		<b>303,987,883</b>
Dividends and interest receivable		125,227
Foreign currency, at value (Cost \$25,765)		25,312
Dividends reclaim receivable		23,205
Cash		13,742
Prepaid expenses and other assets		21,849
<b>Total Assets</b>		<b>304,197,218</b>

**LIABILITIES**

Investment co-advisory fees payable (Note 3)		220,140
Audit and tax fees payable		127,000
Administration and co-administration fees payable (Note 3)		43,413
Custody fees payable		17,094
Legal fees payable		10,976
Printing fees payable		8,734
Directors' fees and expenses payable (Note 3)		49
Accrued expenses and other payables		3,995
<b>Total Liabilities</b>		<b>431,401</b>

<b>Net Assets</b>	\$	<b>303,765,817</b>
-------------------	----	--------------------

**NET ASSETS CONSIST OF:**

Par value of common stock (Note 5)	\$	28,739
Paid-in capital in excess of par value of common stock		331,309,474
Undistributed net investment income		7,171,861
Accumulated net realized loss on investments sold and foreign currency related transactions		(71,587,422)
Net unrealized appreciation on investments and foreign currency translation		36,843,165
<b>Net Assets</b>	\$	<b>303,765,817</b>

Net Asset Value, \$303,765,817/28,739,389 Shares Outstanding	\$	10.57
<i>See Accompanying Notes to Consolidated Financial Statements.</i>		

**Table of Contents**

Consolidated Statement of Operations

First Opportunity Fund, Inc.

*For the Year Ended March 31, 2013*

<b>INVESTMENT INCOME</b>	
Dividends from Unaffiliated Securities (net of foreign withholding taxes \$94,554)	\$ 4,177,683
Dividends from Affiliated Securities	225,139
Interest	53,161
<b>Total Investment Income</b>	<b>4,455,983</b>